

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 SAJ-01 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /180 W

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R 061001Z NOV 73

FM USMISSION BERLIN

TO SECSTATE WASHDC 2611

INFO AMEMBASSY BELGRADE

AMCONSUL BREMEN

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMCONSUL STUTTGART

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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E.O. 11652: GDS

TAGS: ETRD, PINT, GE, GW, WB

SUBJECT: GDR RAISES MINIMUM CURRENCY EXCHANGE REQUIREMENTS

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1. MINIMUM CURRENCY EXCHANGE REQUIREMENTS FOR VISITORS TO GDR FROM WEST WILL BE DOUBLED BEGINNING NOVEMBER 15. ACCORDING TO NOV. 5 NEUES DEUTSCHLAND (ND), GDR HAS ISSUED DECREE UNDER WHICH VISITORS TO GDR WILL HAVE TO EXCHANGE MINIMUM OF MARKS 20 PER DAY WHEREAS MINIMUM DIURNAL EXCHANGE REQUIREMENT FOR VISITORS TO EAST BERLIN WILL BE MARKS 10. ONLY EXCEPTION MENTIONED IS CHILDREN UNDER 16 WHO CONTINUE NOT TO BE SUBJECT TO MINIMUM EXCHANGE REQUIREMENT.

2. RATIONALE FOR INCREASE GIVEN BY ND IS TO CUT DOWN ON ILLEGAL IMPORTS INTO GDR OF EAST GERMAN CURRENCY BY WESTERN VISITORS. ND STATES THAT IN SPOT CHECKS BY GDR CUSTOMS AT STATE BORDERS, OVER ONE HALF MILLION GDR MARKS WERE CONFISCATED DURING ONE-YEAR PERIOD, PRIMARILY FROM RESIDENTS OF FRG AND WEST BERLIN. ACCORDING TO ND, RAISING OF MINIMUM CURRENCY EXCHANGE REQUIREMENTS TO LEVELS NECESSARY TO COVER NORMAL TOURIST EXPENDITURES IS DESIGNED TO DECREASE ATTRACTIVENESS OF THIS ILLEGAL ACTIVITY AND THUS PROTECT EAST GERMAN ECONOMY. IT ALSO MAINTAINS THAT ARBITRARILY LOW ILLEGAL RATES FOR EAST GERMAN CURRENCY PLUS INFLATIONARY TRENDS IN WEST, MAKE GDR GOODS, PRICES OF WHICH OFTEN SUBSIDIZED BY STATE, ESPECIALLY ATTRACTIVE. AS A RESULT, QUANTITY OF GOODS AVAILABLE FOR GDR CITIZENS AND/OR GOODS AVAILABLE FOR EXPORT REDUCED.

3. SENAT HAS REACTED SHARPLY TO EAST GERMAN UNILATERAL ACTION. GOVERNING MAYOR SCHUETZ ISSUED PRESS STATEMENT CALLING PROPOSED INCREASES VIOLATION OF SPIRIT OF VISITS AGREEMENT. EVERYONE KNEW, SCHUETZ SAID, MOST VISITS WERE MADE TO RELATIVES AND EAST GERMAN HOSTS DID NOT USUALLY CHARGE RELATIVES FOR HOSPITALITY. SCHUETZ CALLED INCREASES PART OF RECENT GENERAL POLICY LINE WHICH PROVED GDR UNABLE TO COME TO GRIPS WITH DETENTE. IF, AS GDR SAID, INCREASES WERE NECESSARY TO BRING THEIR FOREIGN CURRENCY RESERVES INTO BALANCE, THEN IT WAS TIME FOR THE FEDERAL REPUBLIC TO DO SAME CONCERNING ITS FOREIGN TRADE BALANCE WITH GDR, SCHUETZ CONCLUDED.

4. SENAT APPEARED SHOCKED BY EAST GERMAN ACTION. SENATOR FOR FEDERAL AFFAIRS STOBBE PREDICTED DROP OF 40 PER CENT IN WEST LIMITED OFFICIAL USE

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BERLINER VISITS IF PENSIONERS HAD TO PAY NEW FEES. BECAUSE OF UNCERTAINTY AS TO WHETHER PENSIONERS ARE INCLUDED, KUNZE OF SENAT CHANCELLERY ATTEMPTED TO CONTACT HIS GDR COUNTERPART MITDANK, BUT LATTER REFUSED TO SEE HIM BEFORE NOVEMBER 7. AS SCHUETZ' STATEMENTS INDICATED, SENAT OFFICIALS BELIEVE INCREASES ARE PART OF GDR CAMPAIGN (EXFILTRATION SHOW TRIAL, HONECKER'S RECENT STATEMENTS, ETC.) TO INTIMIDATE BONN AND SENAT.

5. COMMENT. IT APPEARS LIKELY THAT ONE PURPOSE OF NEW CURRENCY EXCHANGE REQUIREMENTS IS TO INCREASE GDR HARD CURRENCY EARNINGS. SINCE MANY IF NOT MOST WEST GERMANS TRAVELLING TO GDR DO SO TO VISIT RELATIVES AND FRIENDS, CURRENT MINIMUM CURRENCY EXCHANGE REGULATION IN MANY INSTANCES NECESSITATES PURCHASE OF GDR CURRENCY IN EXCESS OF THEIR REQUIREMENTS. THIS WILL BE DOUBLY TRUE WHEN NEW REQUIREMENTS ENTER INTO FORCE. SECOND (AND POSSIBLY MORE SIGNIFICANT) OBJECTIVE MAY BE TO DAMPEN INFLUX OF WESTERN, PARTICULARLY GERMAN, VISITORS WHO, ACCORDING TO ND, WILL NUMBER BETWEEN 8 AND 9 MILLION THIS YEAR. NEW EXCHANGE REQUIREMENTS WILL BE ESPECIALLY FELT BY WEST GERMAN AND WEST BERLIN PENSIONERS WHOM, IN CONTRAST TO PREVIOUS REGULATIONS, NEW DECREE APPARENTLY DOES NOT EXCLUDE FROM MINIMUM CURRENCY EXCHANGE REQUIREMENTS. IMPACT OF NEW REQUIREMENTS IS LIKELY TO BE THAT WEST BERLIN/FRG VISITORS WILL BE INCLINED TO SPEND FEWER DAYS ON AVERAGE IN GDR, WITH EAST GERMANS REGISTERING NO CHANGE, OR EVEN AN INCREASE, IN HARD CURRENCY RECEIPTS.

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